Regional Freight Leadership Task Force Report to the CMAP Board May 30, 2014

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Letter of Submittal to CMAP Board

To the Board of the Chicago Metropolitan Agency for Planning:

We are pleased to submit to you the final report of the Regional Freight Leadership Task Force.

GO TO 2040 calls for a Regional Freight Authority to be explored to address institutional and funding barriers affecting the freight system in northeastern Illinois. Specifically, the plan states:

"A process should be outlined to assist in moving this recommendation forward that includes convening freight stakeholders and transportation implementers to discuss the options and best course of action; examining case studies of similar authorities in other regions; and exploring potential agencies to host the Regional Freight Authority. Ideally, this authority should be integrated into an existing agency to avoid creating an entirely new organization."

To meet this call, the CMAP Board approved the membership of the Regional Freight Leadership Task Force in June 2013. We acknowledge the vital importance of the freight system to the regional economy and quality of life, and appreciate the opportunity to serve on this Task Force.

We bring together a range of public, private, and non-profit perspectives. The views reflected in this report are our own, and do not necessarily represent those of the private firms, public agencies, or other organizations with which we are affiliated.

It has been an honor to serve on the Task Force and to comment on the policies needed to sustain the regional freight system into the future.

The Regional Freight Leadership Task Force

- Michael Gorman, Chair. Former Mayor, Village of Riverside, Former Board Member, CMAP
- Chris Berry, PhD., Associate Professor, University of Chicago Harris School of Public Policy
- David Brady, President, Village of Bedford Park
- **Mike Burton,** President, C&K Trucking
- Rick Dickens, Vice President, Cannonball Express Line
- **Peter Fahrenwald,** *Manager- Regional & Corridor Planning,* Regional Transportation Authority
- Paul Fisher, President and CEO, CenterPoint Properties Trust
- Alicia Hanlon, Senior Transportation Planner, Will County
- **Jim LaBelle**, *Vice President*, Metropolis Strategies
- Paul Nowicki, Assistant Vice President Government and Public Affairs, BNSF Railway
- Phil Resendiz, Regional Operations Manager, FedEx
- **Herbert Smith,** *Manager-Community Affairs*, Norfolk Southern
- John Yonan, Superintendent, Cook County Department of Transportation and Highway

Note that Gabe Klein, former Chicago Department of Transportation Commissioner, and Bill Driegert, former Chief Innovation Officer at Coyote Logistics, were appointed to the Regional Freight Leadership Task Force by the CMAP Board and served for part of its duration, but stepped down before the completion of the final report.



Executive Summary

Freight has long been central to the development of metropolitan Chicago. An unmatched combination of freight transportation modes and infrastructure has contributed to the region's position as a hub for both domestic and international freight transportation. Over a billion tons of freight worth over \$3 trillion move through the Chicago region each year, underpinning a national freight system that drives economic growth and improves quality of life for both businesses and consumers. In addition to playing a paramount role in the national economy, metropolitan Chicago's freight system also provides considerable economic benefits here in the region.¹

Metropolitan Chicago's concentration in freight provides substantial direct employment, with the region's freight cluster accounting for 200,000 jobs and over \$13 billion in personal income for the residents of northeastern Illinois.² The freight system touches almost every other economic sector, and is especially pronounced in industries that rely on the frequent shipment of inputs and/or outputs, including manufacturing, construction, and retail trade. Collectively, these three freight-dependent industries represent nearly one-quarter of all jobs in the region and add over \$115 billion per year to the regional economy.³

This competitive advantage supports vital economic activity within the region, particularly in key industries such as manufacturing and logistics. The role of freight is expected to grow over time with the rising importance of trade to the global economy.

While metropolitan Chicago is the nation's preeminent freight hub today, several challenges threaten to undermine freight's economic benefits. In order to sustain the region's long-term competitive position, issues of congestion, outdated infrastructure, complex governance, and inadequate funding must be addressed. Drawing on GO TO 2040, the CMAP Board convened the Regional Freight Leadership Task Force in June 2013 to explore the potential benefits of creating a Regional Freight Authority to address institutional and funding barriers affecting the freight system in northeastern Illinois. The appointment of this Task Force acknowledges the need for a higher degree of industry involvement in the regional planning process and the importance of public/private cooperation in the creation of good freight policy. The Task Force was created solely to advise the CMAP Board, and has no statutory or independent authority.

Meeting between October 2013 and May 2014, the Task Force discussed numerous dimensions of regional freight governance, including various institutional and funding arrangements. The Task Force reached consensus on recommendations related to planning, funding, and programming. Consistent with the preference expressed in GO TO 2040, the Task Force's recommendations **rely on existing institutions** to deliver enhanced freight governance in the region; the Task Force does not recommend establishing a new, independent "Regional Freight Authority". More specifically, the Task Force recommends the following:

¹ CMAP analysis of Transearch data for the seven county CMAP region.

² CMAP "Freight Cluster Drill-Down".

³ CMAP analysis of BEA and EMSI data for the Chicago MSA.

- Planning CMAP should work with regional freight stakeholders, including the private sector, to develop a robust freight element in the next comprehensive regional plan.
 This freight element will identify capital and operational improvements, an implementation strategy for these improvements, and include a financial plan. The financial plan will discern projects that can be self-supporting through user fees from projects that require outside funding.
- 2. Funding To support the prioritized projects, the Task Force recommends that, pursuant to the freight planning process described above, CMAP prepare legislation for the Illinois General Assembly to establish a Metropolitan Chicago Freight Fund. This fund should be supported by existing and/or new revenue sources raised from users of the regional freight system. Due to changes in vehicle technologies and travel behavior, appropriate revenue sources in the short term may not be sustainable over time, and long-term alternatives will need to be pursued. Tolling shows particular merit as a sustainable, effective policy to raise revenue and manage the transportation system. Additionally, CMAP should work with relevant implementing agencies to support the development of project-specific user fees, where appropriate.
- 3. *Programming* CMAP should manage the **programming of revenues** in the Metropolitan Chicago Freight Fund through a transparent, performance-based process. This process will build off CMAP's experience in programming federal funds, engaging the region in a collaborative way to implement projects and programs identified in the freight element of the long-term transportation and land use plan.

The Regional Freight Leadership Task Force meets at a time of increasing interest in the freight system at the national, state, and local levels. Enacted in July 2012, Moving Ahead for Progress in the 21st Century (MAP-21) placed the largest federal emphasis on freight planning of any surface transportation authorization bill and inspired numerous federal and state planning efforts. While the Task Force is aware of and supports these and other ongoing efforts, its purview is distinct. The Regional Freight Leadership Task Force primarily focused on institutional aspects of funding and governing the freight system, and its recommendations are a unique attempt to craft a regional role in freight policy.

The remainder of this report elaborates the Task Force's recommendations. More information on the Regional Freight Leadership Task Force is available on the CMAP website at http://www.cmap.illinois.gov/about/involvement/committees/other-groups/regional-freight-leadership-task-force/minutes.

Challenges Facing the Regional Freight System

In order to frame its deliberations in drafting recommendations to the CMAP Board, the Task Force first identified four major challenges facing the regional freight system. These key challenges include the following:

- <u>Too little funding</u>. Budgets are tight across many transportation agencies as traditional sources of revenue have stagnated or fallen. At the same time, agencies face significant maintenance backlogs, and have multiple priorities for modernization and expansion projects. New revenues are needed to support adequate investment in the regional freight system.
- Too little coordination among jurisdictions. Northeastern Illinois is home to hundreds of jurisdictions responsible for components of the highway system. Jurisdictions' funding sources are generally tied to the components of the system for which they are responsible, complicating attempts to consider the system holistically. Additionally, various jurisdictions impose different regulations and fees on freight activity, which can lead to an inefficient patchwork across boundaries.
- Too little prioritization of freight. While existing entities do invest in projects relevant to goods movement, freight needs are not often explicitly addressed. And freight investments, on the public side, do not benefit from dedicated funding sources. While it is important to build partnerships with freight stakeholders, no single agency in the region is charged with safeguarding the interests of the freight system.
- Too little recognition-voice for regions in national freight policy. MAP-21, in establishing a framework for a national freight policy, does not recognize a role for regions or metropolitan planning organizations (MPOs) in its strategic vision. Metropolitan regions, particularly major metropolitan regions, are key nodes in the national freight system they are the bottlenecks that constrain economic growth, and bear a disproportionate share of freight's negative community impacts. Their perspective must inform federal policy, and No model for regional freight governance is recognized in national freight policy. CMAP is currently working with other large MPOs to advocate provide a formal role for regions in the nation's freight program for a regional role.

Principles for Regional Freight Policy and Funding

Responding to the above challenges, the Task Force adopted seven principles for regional freight policy and funding in the Chicago region. These principles acted as **screening criteria** in developing recommendations to the CMAP Board, and were considered by the Task Force as **minimum requirements** that any freight governance scenario must meet.

The principles are the following:

- Robust freight planning. Freight should be a robust component of the comprehensive regional plan, GO TO 2040. A multimodal freight component should include a detailed list of capital improvements, as well as a list of recommended operational strategies (e.g., truck routing, off-hours delivery programs), to help meet the region's strategic vision. Freight planning must be done in cooperation with relevant stakeholders, including local governments and collective business interests.
- <u>User-pays principle</u>. Fees raised from users of the freight system must be spent on projects that benefit the freight system. This connection should be as direct as possible, matching fees paid to the benefits received.
- <u>Performance-based programming</u>. Freight projects must be selected for funding through a transparent, data-driven process. This is ensured by tying the selection of capital projects to the robust freight planning process described above.
- <u>Project delivery</u>. Implementing agencies should be responsible for arranging construction management and long-term operations and maintenance of facilities. This principle reflects GO TO 2040's preference for a Regional Freight Authorityregional freight policy and funding to be housed within existing agencies.
- <u>Sustained, focused advocacy</u>. The region would benefit from a single freight champion
 and clearinghouse for regional freight information. <u>A Regional Freight</u>
 <u>AuthorityEnhanced regional freight policy and funding</u> will fulfill this function, in
 addition to any others recommended by the <u>Task Force</u> within existing agencies.
- <u>Capability and accountability in programming.</u> With the input of stakeholders, including local governments, a <u>Regional Freight Authorityan enhanced regional freight policy</u>-must <u>have include</u> the authority to fund projects and ensure their delivery by implementing agencies.
- <u>Encourage private capital to participate</u>. It is important to work with the business community to encourage private investment in freight projects. Leveraging this participation helps to extend the reach of public investments, and also helps to identify meritorious projects with high benefit-cost ratios.

Detailed Recommendations

The Task Force recommends a preferred scenario with three main components. The first component is to incorporate comprehensive, multimodal freight planning into the regional comprehensive plan and the second is to secure new funding from user fees to invest in the regional freight system. The third component combines the first two, harnessing the new revenues to build freight projects and fund operational programs identified in the regional plan. The following outline describes each of these components in more detail.

Robust Freight Planning

Working with relevant stakeholders on its Freight Committee, CMAP will develop an official freight element as a component of the long-range comprehensive regional plan (currently GO TO 2040). Prior to this effort, CMAP will evaluate the membership of the Freight Committee to ensure appropriate representation and input. CMAP's Transportation Committee, which has broader responsibilities over the flow of federal funds in the region, will remain engaged in the freight planning process. As a component of the larger regional plan, the CMAP Board and MPO Policy Committee will have final jurisdiction over the approval of the freight element. CMAP is required to develop and update the plan according to federal and state law, and it is likely that the next comprehensive regional plan will be completed in 2018. To meet this timeline, the Task Force recommends that freight planning activities begin immediately.

The freight element will include specific lists of prioritized capital projects and operational programs, an implementation strategy for these improvements, and as well as a financial plan. The financial plan will include estimated costs for the recommended projects and programs, as well as potential funding sources to cover these costs. Some projects may have potential to be self-supporting through user fees such as tolls, but most projects will likely require support from broader revenue sources.

These broader revenue sources could include both existing and new revenues. First, the freight element will provide guidance on how CMAP and other programmers could prioritize freight projects in their management of existing revenue sources, such as the Surface Transportation Program. Second, the freight element will explore new revenue sources to be deposited into a "Metropolitan Chicago Freight Fund" (see following section). The planning process will include deliberation by stakeholders on the preferred revenue sources to be deposited into the Fund, as well as broad policy guidance on how to program projects from it.

In addition to identifying capital projects and operational programs, the freight element will also comment on broader freight policy topics. The freight planning effort will be multimodal:

 On the trucking side, CMAP will identify locations with inadequate geometric standards, existing or projected capacity constraints, serious grade conflicts, and inadequate connections to other modes. CMAP will also identify discontinuities in regional truck routes and municipal regulations, and identify necessary capital improvements to close gaps in the regional trucking network. The freight element will explore other operational improvements such as centralized truck permitting for local

- governments, off-hours delivery pilot programs, and other delivery management systems.
- On the rail side, CMAP will convene a regional conversation to critically evaluate the progress of the CREATE program and its long-term funding plan. Over ten years old, the CREATE program seeks to improve the efficiency of the regional rail system by modernizing infrastructure and removing conflicts between passenger and freight trains, as well as between rail and highway users. Reducing these conflicts will allow for faster and more reliable rail transit service, intercity passenger service, rail freight, and highway travel, and may also allow for an increase in rail transit service. This regional conversation will review CREATE's funding status and identify the next phase of rail improvements in the region, and will expand beyond CREATE to focus on the role of short line and terminal railroads in supporting economic development. The result of this effort will be a prioritized list of rail capital improvements including not only track, signal, and switch improvements that benefit private railroads, but also improvements to passenger rail and highway-rail grade separations and funding sources for these improvements.
- For all modes, the freight element will also consider land use and regional mobility issues. Careful land use planning is necessary to identify and preserve appropriate sites for industrial and logistics development, focus supportive infrastructure in those locations, mitigate negative community impacts, and provide jobs that are accessible to the workforce. It is important for local governments to consider the regional impact of their zoning decisions, and a knowledge of land use helps guide investment decisions.

Funding Sources

The Task Force recommends that dedicated funding sources be identified to support the implementation of the projects identified in the freight element of the regional transportation plan. To that end, the Task Force recommends that, pursuant to the freight planning process described above, CMAP staff draft legislation for the General Assembly to establish a Metropolitan Chicago Freight Fund.

While the Task Force does not recommend specific revenues to accrue to the new Metropolitan Chicago Freight Fund, it prefers that existing revenue sources raised from freight users be focused on freight improvements, and acknowledges the need to backfill the lost revenues in the broader transportation program. Further, the Task Force encourages the region to actively seek out additional federal funding opportunities, although it recognizes that these sources of funding are insufficient to meet the region's needs.

Overview of Potential Sources

As described above, the financial plan will identify projects that could be self-supporting through a variety of user fees such as tolls, container fees, wheelage charges, or special taxing districts. Funding arrangements for these projects would depend on local conditions, including ownership of the facility, private vs. public benefits, local tax capacity, and traffic volumes (see following section discussions on tolling and project-specific container fees).

Not all projects have the capacity to be self-supporting. The Metropolitan Chicago Freight Fund will support these projects with broadly-raised user fees, as identified in the freight element of the regional transportation plan. While the Task Force does not specify the source of these user fees, it does require that they be considered fair and equitable by stakeholders. Where possible, the user fees should be varied to reflect demand for a facility and levied proportional to use of the transportation system. Doing so will help to manage demand and ensure better productivity out of transportation facilities.

Potential <u>broad-based</u> revenue sources to support the Metropolitan Chicago Freight Fund include <u>the following:</u>

- Existing truck registration fees
- Enhanced truck registration fees
- Existing diesel taxes
- Enhanced diesel taxes
- Vehicle-miles traveled fees
- Alternative fuel taxes and fees
- Ton-miles taxes

Each revenue source in the above list is discussed in more detail in Appendix B: Description of Potential Funding Sources, along with special taxing districts. the following:

Table 1. Menu of Potential Revenue Sources

	Revenue Source	Estimated Annual	Description
		Revenues*	
Traditional user fees	Existing truck	\$146.7 million	2012 data, includes
	registration fees		trailer, semi, and
			International Registration
			Plan (IRP) registration
			fees
	Enhanced truck	\$14.7 million	2012 data, 10 percent
	registration fees		increase to existing
			registration fees
	Existing diesel tax	\$32.3 million	2013 data, includes the
			2.5 cent "diesel
			differential" only
	Enhanced diesel tax	\$12.9 million	2013 data, assumes 1
			cent/gallon increase
Long-term alternative	Vehicle-miles	\$47.2 million	2012 data, 0.5 cent/mile
user fees	traveled (VMT) fee		rate, non passenger
			travel only
	Alternative fuel taxes	N/A	See Appendix B
	and fees		
	Ton mile tax	N/A	See Appendix B

Source: CMAP staff analysis.

^{*} Revenue estimates generated from the state, not regional, scale.

Each revenue source is discussed in more detail in Appendix B: Description of Potential Funding Sources, along with special tax districts.

It is important to draw a distinction in Table 1 between traditional revenue sources (fuel taxes and vehicle registration fees) and long-term alternative user fees (VMT fees, alternative fuel taxes and fees, ton-mile tax). Traditional transportation revenue sources are centered on user fees that have not kept pace with inflation or changes in vehicle technology, and there is a broad consensus on the need to identify and implement long-term replacements to these revenue sources. The Task Force acknowledges that traditional revenue sources may be appropriate to support the Metropolitan Chicago Freight Fund in the near term, but a different approach will be required in the long term.

The Task Force notes that the conversion to alternative revenue sources is an opportunity to rethink the transportation funding system more broadly. Such a reform effort should attempt to simplify the complex flow of transportation funds in Illinois, including diversions of transportation funding streams to other purposes.

Tolling

While not included in the previous list or Table 1 Appendix B, the Task Force believes that tolling merits particular discussion. Tolls represent a direct user fee: only those who use the tolled facility pay for its capital, operation, and maintenance costs. Further, tolling is immune to the weaknesses of other transportation revenue sources (e.g., improving fuel economy, increasing use of alternative fuel vehicles, technological barriers to implementation) and, if indexed to inflation, promises to could be a reliable revenue source in the long term. The region has long experience with the policy through the Illinois State Toll Highway Authority, a state agency that relies on toll revenues to maintain and expand upon an extensive system of expressways.

While the Illinois Tollway's facilities are often important trucking corridors and trucks pay higher toll rates than passenger cars, tolling is not a "freight revenue source" *per se*. Tolling is a facility- or network-specific revenue source, rather than a broad-based revenue source. As a result, tolls would not be an appropriate source of revenue for the Metropolitan Chicago Freight Fund, and so tolling was excluded from Table 1.

However, the broader application of tolling could promote dedicated revenue sources for freight improvements in an indirect way. An expansion of tolling to the existing expressway network would generate significant revenues and allow newly-tolled expressways to be self-supporting. Since more of the expressway system would become self-supporting and overall funding needs correspondingly reduced, a portion of existing revenue streams could be directed to the Metropolitan Chicago Freight Fund.

To illustrate, CMAP estimates that tolling and congestion pricing 25 percent of the existing expressway network in northeastern Illinois would generate \$352 million in 2015.⁴ In

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⁴ In estimated 2015 dollars. CMAP staff analysis.

comparison, IDOT has programmed an annual average of just under \$225 million on Chicagoarea Interstate projects in recent years⁵ and has planned over \$190 million for such projects in 2014.⁶ This comparison suggests that a modest expansion of tolling could support the funding needs of the regional expressway system, thus freeing up resources to be dedicated to freight investments. Given their nexus to goods movement, all or a portion of existing truck registration fees and diesel fuel revenues could be directed to the Metropolitan Chicago Freight Fund with no net loss to transportation investment in the state.

Recent data helps to demonstrate the potential revenue yield for the freight system. Data limitations prevent a full estimate of diesel revenues raised from metropolitan Chicago, but \$57.6 million were raised from the region in trailer, semi, and International Registration Plan (IRP) registration fees in 2012. Also in 2012, the 2.5 cent-per-gallon "diesel differential" generated \$32.3 million in Illinois, and truck registration fees raised \$146.7 million statewide.

The Task Force recognizes that an expansion of tolling would be a substantial policy change for the state and region; the illustrative example just described faces near-term legal and political barriers, including a federal restriction on tolling currently-unpriced Interstate facilities. An expansion of tolling will likely occur incrementally in practice, but it is important for policymakers to consider the benefits of the broader implementation of tolling in the long term. For example, an expansion in tolling could be implemented as one component of larger corridor improvement plans, in which toll revenues also support coordinated transit service and arterial improvements throughout a priced corridor. While Tthe Task Force does not take a formal position in support of an expansion in tolling, it does recognize the importance in maintaining a bold and aspirational view of the future transportation system and recognizes the need to coordinate with the Illinois Tollway on regional tolling policy.

Project-Specific Container Fees

Similar to tolling, container fees and similar approaches have been implemented in select locations (e.g., the Alameda Corridor for container fees, Kansas City flyover projects for wheelage charges) as project-specific funding sources. In those contexts, the railroads pay a per-container or per-railcar fee for use of a specific facility, often developed jointly with other railroads and the public sector, and revenues are used to finance the facility's capital and operating costs.

As project-specific sources, container fees are not included among the broad-based user fees listed <u>previously or discussed</u> in <u>detail in Table 1 Appendix B</u>, but they do merit further discussion here. Attempts to levy container fees more broadly at a local, metropolitan, or state scale may run into legal constraints, such as the federal Railroad Revitalization and Regulatory Reform Act and the interstate commerce clause of the U.S. Constitution. In fact, a federal court recently invalidated a state tax on diesel fuel used by railroads.⁷

⁵ CMAP staff analysis of IDOT "For the Record" publications, FY 2009-2013.

 $^{^6}$ CMAP staff analysis of IDOT Highway Improvement Programs and IDOT Multimodal Transportation Improvement Program 2014-2019.

⁷ CSX Transportation vs. Alabama Department of Revenue.

Federal legislation may be required to broadly impose container fees or similar fees on the railroad industry. Revenues raised from such a federal user fee on railroads could be focused on the most critical rail bottlenecks in the nation, including those in the Chicago Terminal. The Task Force does not take a formal position on container fees, but recognizes their potential benefits as well as the challenges to their implementation.

Institutional Organization

Consistent with GO TO 2040, the Task Force's recommendation relies on existing units of government to improve freight planning and programming in the region. As described previously, the Task Force recommends that CMAP take the lead in robust freight planning, working with relevant stakeholders to develop a freight element in the next regional transportation and land use plan. That freight element would identify potential opportunities to support project-specific revenues, but would largely focus on the application of existing and new broad-based revenue sources. The subsequent discussion provides more detail on the proposed Metropolitan Chicago Freight Fund, followed by a discussion of the region's role in facilitating project-specific revenue sources.

Metropolitan Chicago Freight Fund

The Task Force recommends that a new Metropolitan Chicago Freight Fund be established to support projects identified in the freight element of the regional plan. The Task Force recommends that CMAP draft legislation to establish a Metropolitan Chicago Freight Fund, and, for practical purposes, that CMAP complete this effort in the context of a broader discussion on state transportation funding. The conversation at that time could also explore potential bonding authority for CMAP, using the Metropolitan Chicago Freight Fund as a revenue stream to issue and repay bonds. Bonding could allow the region to complete more projects in the near term, and to take on larger and more complex projects. Furthermore, bonding authority could be useful in supporting certain projects that are developed with project-specific funding sources (e.g., a flyover that is partially supported by user fees).

As described previously, the Task Force envisions that the regional freight planning process will provide high-level guidance for the governance and oversight of the Metropolitan Chicago Freight Fund. Doing so involves the input of multiple stakeholders and promotes high standards for transparency and accountability.

This process would determine the evaluation criteria used to prioritize projects, potentially including factors such as infrastructure condition (e.g., pavement and bridge ratings), congestion levels (particularly for trucks), length of grade crossing delays, and inadequate geometric designs. Further, the evaluation criteria could also incorporate regional goals such as economic development (e.g., increase in gross regional product, jobs, income) coordinated land use planning (e.g., jobs-housing balance), improved regional mobility (e.g., enhanced access to jobs), and the mitigation of community impacts. The planning process could emphasize other priorities such as projects located on specific freight corridors (e.g., National Highway System routes, Strategic Regional Arterials, and intermodal connectors, and short line and terminal railroads), projects that consist of particular work types (e.g., geometric improvements, arterial

improvements, resurfacing, grade separations, etc.), or targeted operational improvements (e.g., off-hours delivery incentive programs).

After the completion of the regional planning process and establishment of the Metropolitan Chicago Freight Fund, the Task Force recommends that CMAP conduct the ongoing programming of resources from the fund. CMAP's programming process for a Metropolitan Chicago Freight Fund could be similar to its current approach to administering the Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Transportation Alternatives Program (TAP), in which project sponsors respond to a regular call for projects. Because the list of candidate freight projects would already be determined through the planning process, CMAP's programming of the Metropolitan Chicago Freight Fund would focus solely on prioritizing these projects.

Similar to the role of the Project Selection Committee for the CMAQ and TAP programs, an appropriately designed Freight Committee could play a significant role in the project selection process for a new Metropolitan Chicago Freight Fund. While the ultimate funding decisions would remain with CMAP's two governing bodies, the CMAP Board and MPO Policy Committee, the Freight Committee could assist and review the staff analysis of proposed projects and make recommendations.

Project-Specific Revenue Sources

The freight element of the regional plan will also identify projects that freight stakeholders believe can be self-supporting through direct user fees. While CMAP staff will support these projects to the extent of its ability – prioritizing them in the Transportation Improvement Program, providing high-level research and analysis, and providing local technical assistance as appropriate – implementing agencies will ultimately be responsible for delivering and managing these types of projects. For example, the Illinois Tollway will be responsible for improvements to its system, local governments would be responsible for establishing local taxing districts, and private railroads will be responsible for negotiating improvements that require cost sharing across railroads.

These types of projects may benefit from innovative financing sources such as the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program. The TIFIA program provides low-interest, flexible financing options to major transportation projects via direct loans, loan guarantees, and standby lines of credit. Project sponsors may also consider applying for assistance through existing discretionary programs such as federal Transportation Investment Generating Economic Recovery (TIGER) grants.

Evaluation of Recommendations

The recommendations directly address the four main challenges identified by the Task Force:

- <u>Too little funding</u>. The recommendations raise new revenues for transportation investment in the region and for the first time dedicate revenue streams to freight improvements.
- <u>Too little coordination among jurisdictions</u>. The recommendations provide a planning and funding framework to help sort out <u>jurisdictional conflictspolicy and practice</u> <u>inconsistencies</u>. They do not create new units of government.
- <u>Too little prioritization of freight</u>. The development of a freight element of the regional transportation plan helps to clarify goals and objectives for all providers of the transportation system. The recommendations <u>develop support</u> dedicated funding streams for freight, and suggest restricting the eligible work types or facilities for these funds to maintain a logical nexus to freight improvements.
- Too little recognition-voice for regions in national freight policy. The development and implementation of robust freight planning will raise the Chicago area's profile on the national stage and serve as a model for other metropolitan regions. As part of the adopted long-range plan, the freight element will prioritize and coordinate investments and create stronger regional partnerships to bolster the region's competitiveness for future federal funding.

The recommendations are also consistent with the seven principles adopted by the Task Force:

- Robust freight planning. The recommendations call on CMAP to lead a collaborative regional planning effort. The freight element of the regional plan should be multimodal in nature, list specific projects, include a financial plan, and focus on capital and operational improvements, as well as policy issues.
- <u>User-pays principle</u>. The recommendations offer a menu of existing and new user fees.
 It also draws a distinction between user fees that can be raised from the freight system more generally and those that are directly generated from a specific facility.
- <u>Performance-based programming</u>. The recommendations would require revenues from the Metropolitan Chicago Freight Fund to be programmed using performance-based criteria. Projects would need to be consistent with the freight element of the regional plan, and perhaps restricted to certain work types or facilities most relevant to goods movement.
- <u>Project delivery</u>. The recommendations would rely on existing implementing agencies to plan, construct, operate, and maintain transportation facilities.
- <u>Sustained, focused advocacy</u>. By creating a thorough, comprehensive freight element of the regional plan and dedicating revenues to implementing it, the recommendations would result in an enhanced freight focus among all stakeholders.
- <u>Capability and accountability in programming</u>. The recommendations would establish a new Metropolitan Chicago Freight Fund that would be used to support projects identified in the freight element of the regional plan.
- <u>Encourage private capital to participate</u>. The recommendations invite the participation of freight stakeholders, including the private sector, both in the development of the

freight element of the regional plan and in the project selection process from the Metropolitan Chicago Freight Fund.



Appendix A: About the Task Force

The Task Force was chaired by Michael Gorman, former mayor of the Village of Riverside and former CMAP Board member representing west Cook County. The Task Force consisted of 12 members from the private, public, and non-profit sectors. These members included the following:

- Chris Berry, PhD., Associate Professor, University of Chicago Harris School of Public Policy
- David Brady, President, Village of Bedford Park
- Mike Burton, President, C&K Trucking
- Rick Dickens, Vice President, Cannonball Express Line
- **Peter Fahrenwald,** *Manager-Regional & Corridor Planning,* Regional Transportation Authority
- Paul Fisher, President and CEO, CenterPoint Properties Trust
- Alicia Hanlon, Senior Transportation Planner, Will County
- Jim LaBelle, Vice President, Metropolis Strategies
- Paul Nowicki, Assistant Vice President Government and Public Affairs, BNSF Railway
- Phil Resendiz, Regional Operations Manager, FedEx
- Herbert Smith, Manager-Community Affairs, Norfolk Southern
- John Yonan, Superintendent, Cook County Department of Transportation and Highway

In addition, Gabe Klein, former Chicago Department of Transportation Commissioner, and Bill Driegert, former Chief Innovation Officer at Coyote Logistics, were appointed to the Regional Freight Leadership Task Force by the CMAP Board and served for part of its duration, but stepped down before the completion of the final report.

The Task Force met on Friday mornings at 9:30am at CMAP's offices in the Willis Tower (233 S. Wacker Drive, Suite 800, Chicago, IL 60606). The meeting dates were the following:

- Meeting 1: October 18, 2013. Introductions and background on the economic importance of freight to northeastern Illinois.
- Meeting 2: November 15, 2013. Review of case studies, including the Alameda Corridor Transportation Authority in southern California, the Washington State Freight Mobility Strategic Investment Board, and KC SmartPort in the Kansas City, MO region.
- Meeting 3: January 10, 2014. Introduction to conceptual models for freight governance and review of existing freight-related institutions in the region.
- Meeting 4: February 7, 2014. Introduction to potential revenue sources and background on past plans and current programming practice. Review of project costs.
- Meeting 5: March 7, 2014. Discussion of draft principles and illustrative scenario for regional freight governance.
- Meeting 6: April 4, 2014. Approval of principles and discussion of revised scenario for regional freight governance.
- Meeting 7: May 2, 2014. Discussion of draft report to CMAP Board.
- Meeting 8: May 30, 2014. Approval of final report to CMAP Board.

Appendix B: Description of Potential Funding Sources

Appendix B discusses the broad-based revenue sources presented in Table 1listed in the "Overview of Potential Sources" that could potentially accrue to a Metropolitan Chicago Freight Fund. It also discusses project-specific revenue sources coming from special taxing districts. The main text of the report includes a detailed discussion on tolling and container fees.

Truck Registration Fees

State truck fees vary depending on weight; as examples, trucks weighing between 50,001 and 54,999 pounds pay \$1,942 and trucks weighing between 77,001 and 80,000 pounds pay \$3,191.8 Further, the State charges a trailer fee and a commercial distribution fee, along with special fees (e.g., heavy vehicle use tax, special hauling vehicle permit). CMAP staff identified trailers and semis, along with International Registration Plan (IRP) revenues,9 as the vehicle registration classes most relevant to goods movement. Revenues from these classes of vehicles totaled \$146.7 million in 2012.

Revenue Enhancement: Rather than estimating an across-the-board surcharge applied to all freight vehicles, the revenue enhancement assumes a 10-percent increase in current rates. Such an enhancement would have yielded \$14.7 million in 2012.

Diesel Taxes

The State of Illinois imposes a motor fuel tax (MFT) of 19 cents per gallon. It also levies an additional 2.5-cents-per-gallon fee for diesel, bringing the total diesel rate to 21.5 cents per gallon. CMAP staff estimates that \$278 million were raised from diesel taxes in Illinois in 2013, declining from an estimated yield of \$356 million in 2012. The 2.5 cents-per-gallon "diesel differential" raised \$32.3 million in 2013, down from \$41.4 million in 2012.

The revenue estimate reported in Table 1 for existing diesel taxes reflects this "diesel differential" only. From a practical perspective, it is unlikely that all diesel receipts – which generally range from 20 to 30 percent of gross motor fuel tax revenues statewide – could be directed to freight improvements. Further, non-freight vehicles also pay diesel taxes, so it may not be appropriate to direct all diesel revenues to freight needs.

Revenue Enhancement: CMAP staff estimates that nearly 1.3 billion gallons of diesel were sold in Illinois in 2013. Based on that level of fuel consumption, a one-cent-per-gallon increase in the existing state diesel tax would yield \$12.9 million annually.

⁸ Illinois Secretary of State, Flat Weight Trucks, http://www.cyberdriveillinois.com/departments/vehicles/cft/fees.html#truck.

⁹ IRP is a reciprocity agreement across U.S. states and Canadian provinces to allocate truck registration fees for vehicles that operate across state and provincial borders.

Vehicle-Miles Traveled Fee

A vehicle-miles traveled (VMT) fee has been proposed for vehicles of all types because increasing fuel efficiencies and the growth of alternative fuels have placed the traditional fuel tax at a long-term disadvantage. A VMT fee would charge drivers on a per-mile basis, rather than a per-gallon basis, and could be initially implemented for trucks. In fact, VMT fee programs for commercial vehicles are already in place in Germany and New Zealand. In recent years, numerous studies have been conducted in the United States, and in 2013 Oregon became the first state to enact a VMT fee. Although VMT fees are commonly considered a long-term solution to the decline of fuel taxes, technological barriers and privacy concerns must be fully addressed.

CMAP estimates a total of 104.5 billion VMT statewide for passenger vehicles and 9.4 billion VMT statewide for non-passenger vehicles in 2012. The Government Accountability Office assumed that a potential passenger vehicle VMT rate of 0.9 cents per mile and a potential non-passenger VMT rate of 3.2 cents per mile would replace existing federal fuel tax receipts. ¹² Using an illustrative lower rate of 0.05 cents per mile for non-passenger vehicles only, a statewide VMT fee would have raised \$47.2 million in 2012.

Alternative Fuels and Vehicle Technologies

Levied on a per-gallon basis, the structure of the fuel taxes leaves them vulnerable to inflation and rising fuel economy. Increasing numbers of alternative fuel vehicles may further erode fuel tax receipts. Flat vehicle registration fees also lose purchasing power to inflation over time.

These limitations have raised interest in taxing alternative fuels and alternative vehicle technologies to ensure that users of such vehicles pay a fair share into the maintenance of the transportation system. Data limitations prevent analyzing the use of alternative fuels and vehicle technologies by the freight system. However, past CMAP analysis of a proposed bill in the Illinois General Assembly can help to provide some frame of reference.¹³

Proposed in May 2013, HB 3637 would have increased registration fees for electric vehicles from the current \$35 every two years to \$222 every year. It would have also ended the gasohol tax incentive, which exempts a portion of gasohol fuel sales from the state sales tax, on December 31, 2013 rather than the current December 31, 2018, and dedicated the proceeds from 1 percentage point of the state sales tax on gasohol sales to a new transportation fund. CMAP estimates net revenue increases of \$0.1 million from the increased electric vehicle fees and \$125 million from the gasohol exemption.

¹⁰ Government Accountability Office, 2012. Highway Trust Fund: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles. GAO-13-77, http://www.gao.gov/products/GAO-13-77.

¹¹ CMAP, Legislation Would Establish VMT Fee Pilot Program, December 6, 2013, http://tinyurl.com/p5pake9.

¹² Government Accountability Office, 2012. Highway Trust Fund: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles. GAO-13-77, http://www.gao.gov/products/GAO-13-77.

¹³ CMAP, Transportation Funding Bill Introduced in General Assembly, June 14, 2013. http://tinyurl.com/k6zr8qi.

Ton-Mile Tax

A ton-mile tax, also called a weight-mile tax, charges trucks based on their weight and distance traveled, with heavier vehicles and vehicles traveling greater distances charged at a higher rate. Ton-mile taxes have the advantage of more effectively charging vehicles for the damage they impose on pavements, but may require additional reporting and higher administrative costs than traditional transportation user fees. Four states impose ton-mile taxes. According to a review published by the Iowa Department of Transportation, Kentucky collected about \$70.4 million in its weight-mile tax in 2010, New Mexico collected \$88.4 million in 2007, New York collected \$81 million in its 2008-2009 fiscal year, and Oregon assumed \$630 million in collections between 2009-2011.

Special Taxing Districts

Special taxing districts offer an opportunity for funding specific transportation facilities, and are already actively used in the region for smaller infrastructure projects. Although special taxing districts are unlikely to fund the entirety of the cost of a major transportation project, they can provide a local match for federal grants, serve as leverage for federal financing instruments, or fund local improvements like stations and interchanges. Special taxing districts vary in structure, and can include the following:

- Tax Increment Finance (TIF) districts utilize taxes on the incremental increase in property value to fund defined expenses related to redevelopment of areas that meet blight criteria and would experience growth and development but for public investment.¹⁶
- Special Service Areas (SSAs) utilize an added property tax to fund services or infrastructure that benefits the property owners within a defined geographic area.¹⁷
- Special freight districts have been proposed but not implemented in Illinois. A 2011 proposal would have established an "Illinois Transportation District Authority" in western Will County. This authority would have been responsible for regulating and maintaining various local roads, and empowered to levy a commercial vehicle user fee to fund its operations and capital improvements. This fee would have been assessed on a vehicle's entering or leaving the district, graduated by vehicle weight, and subject to statutory caps in its rates.

TIF and SSA districts can also be used to support value capture, a tool to provide local contributions toward the cost of a new facility. Value capture assumes that nearby property owners will benefit from the construction of a new facility through increased land values, and "captures" some portion of these benefits to pay for the cost of the facility. For example, improved public infrastructure, such as highway-rail grade separations and truck-appropriate geometrics and pavements, could increase property values in industrial districts. A new freight

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¹⁴ See Oregon Department of Transportation rates as an example: http://www.odot.state.or.us/forms/motcarr/reg/9928.pdf.

¹⁵ "Summary of State Use of Weight-Distance Tax", June 24, 2011, http://tinyurl.com/8w65m6m.

^{16 65} ILCS 5/11-74.4-1

^{17 35} ILCS 200/27

facility could lead to increased land value through the development or redevelopment of vacant or underperforming land into manufacturing, warehousing, and other facilities. Additionally, a freight improvement could reduce congestion, noise, and other community impacts, helping to raise the value of neighboring properties.

